



AUDIT SUMMARY

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INTEGRITY ♦ RELIABILITY ♦ INDEPENDENCE ♦ ACCOUNTABILITY

JANUARY 2004

RHODE ISLAND LOTTERY

FISCAL YEAR ENDED JUNE 30, 2003

We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the fiscal year ended June 30, 2003. The Lottery's financial statements indicate that \$249 million was paid to the State's General Fund for the year ended June 30, 2003. This amount represents the Lottery's income after payment of prize awards, commissions and operating expenses. It also includes a one-time payment of \$12.5 million in proceeds relating to the sale of its exclusive rights over the operation of its gaming systems to its current system provider for a 20-year period.

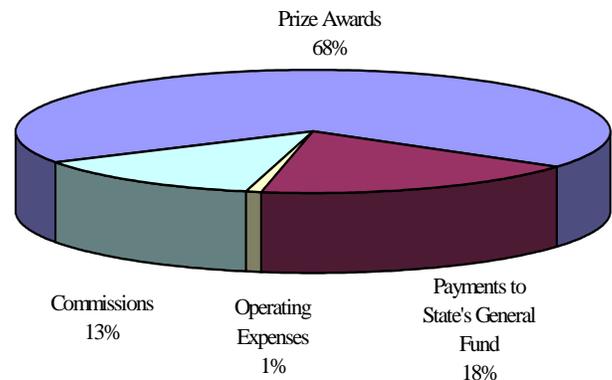
The amount paid to the General Fund increased \$34.9 million or 16.3% over the fiscal year ended June 30, 2002. Lottery sales for the year ended June 30, 2003 were \$1.3 billion with video lottery comprising \$1.1 billion or 81.5% of total sales. Total prizes paid approximated \$881 million. The Lottery's operating expenses totaled \$6.3 million for the year ended June 30, 2003.

Total lottery sales increased \$119.5 million or 10.2% for the year ended June 30, 2003. Most of the increase resulted from video lottery sales.

We concluded that the Lottery's financial statements for the year ended June 30, 2003 were fairly presented in accordance with accounting principles generally accepted in the United States of America.

We did not find any material instances of noncompliance with laws, regulations and contracts that we were required to report under *Government Auditing Standards*. We did, however, report a matter involving the Lottery's internal control over financial reporting.

Distribution of Lottery Revenue



We recommended that access security to the computer systems used to operate the Lottery's games be improved. As of June 30, 2003, the Lottery continued the implementation a formal comprehensive security plan related to its computerized systems. Complete implementation and testing of this plan is necessary to ensure that access is appropriately restricted to authorized individuals and any unauthorized access is detected by the Lottery on a timely basis with appropriate follow-up.

We also issued a report with comments and recommendations for management intended to enhance compliance with laws, regulations, and contracts, improve internal control, or result in other operational efficiencies.

Copies of this audit report can be obtained by calling 222-2435 or by visiting our website at www.oag.ri.gov

Audit Highlights

- The Lottery paid \$249 million to the State's General Fund for the year ended June 30, 2003.
- Total Lottery sales increased approximately \$119.5 million or 10.2% - mostly attributable to video lottery.
- Total prizes paid approximated \$881 million.
- We expressed an unqualified opinion on the Lottery's financial statements.